

Montana Department of Public Health & Human Services	Policy
	SH CACFP 2016 - 1
	Section: Sponsors of Day Care Homes
Child and Adult Care Food Program	Subject: Determining Allowability of Costs
	Date Revised: 1/1/2016

Determining Allowability of Costs

Sponsoring Organizations must account for all costs of operation through the consistent use of U.S. GAAP. Some of these costs will be allowable operating or administrative costs of the Program while others will be unallowable. Some costs may be necessary and reasonable for operation of the Sponsoring Organization but are not allowed as CACFP Program costs, even when the majority of the institution's revenue is from the CACFP.

Allowable costs are categorized as operating costs or administrative costs. Operating costs are costs for the preparation and service of meals including food, food service labor, nonfood supplies and food service equipment. Sponsoring Organizations of DCH's do not have allowable operating expenses [7 CFR 226.15(e)(6)(ii)]. FNS Instruction 796-2, Rev. 4 (Section VII D) limits administrative costs to allowable expenses for planning, organizing and managing the CACFP.

Costs are reported on an accrual basis (expenses and income recorded when incurred) or a cash basis (expenses and income reported when paid/received). The institution's accounting system must treat all costs consistently. All Sponsoring Organizations report their accounting method in the Sponsor Management Plan (SMP) Section 2: Financial Viability & Controls.